

B I G G O V E R N M E N T : T H R E A T T O O U R F R E E M A R K E T

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It is hardly helpful to discuss threats to the free market without first discussing freedom itself.

Freedom, as I see it, is of two general types: psychological and sociological.

Each of us is entitled to the fullest opportunity in achieving psychological freedom, this having to do with man freeing himself from his own fears, his own superstitions, his own frustrations, his own meager perceptions, his own ignorance. This is a chore of infinite dimensions.

On the other hand, we should not have to spend a moment of our time on the sociological aspect of freedom, this having to do with man imposing his will by force upon other men; this having to do with authoritarianism. What moral right, for instance, has any person on this earth to control or to forcibly direct what another shall discover, invent, create; where he shall work; what wage he shall receive; what hours he shall labor, or what and with whom he shall exchange? Most of you will agree that no person has any such right, nor any two persons, nor any 180,000,000 persons, nor any agency, government or otherwise, which the 180,000,000 may contrive.

Man's moral right to inhibit the action of others is extremely limited. To demonstrate: man's energy manifests itself in two ways -- destructively and creatively. If I were to use my hand to paint a picture, to write a book, to build a house, to strew seed, these would be examples of my energy manifesting itself creatively. If I were to make a fist of this same hand and sock you in the eye, that would be an example of my energy manifesting itself destructively.

Man has the moral right to inhibit the destructive energies of others; he has no moral right to control or to forcibly direct the creative energies of others. Yet, herein lies the root of this issue. To establish the fact that it is the issue, let us take a few brief glimpses at our own history.

We began in a condition of pure and unadulterated communism. I refer to the year 1620 -- to our Pilgrim Fathers. It made no difference how much or how little any member of the colony produced; everything went into a common warehouse under authority, and the authority doled out the proceeds according to the authority's idea of the need. This procedure -- from each according to his ability, to each according to his need -- was held forth more than two centuries later by Karl Marx as the ideal of the Communist party.

There was a compelling reason why this communalistic or communistic practice was discontinued. Many members of the colony had starved. Too often the warehouse ran out of provender. Governor Bradford, during the third winter, in discussing the problem with the remaining members of the colony, decided that, come next spring, they would forego the communistic way of life and try another plan -- that each was to have what he himself produced! Came next spring and not only were the fathers in the field, but the mothers and the children were there also.

It was the adoption of this private property practice, the acceptance that each had a right to the fruits of his own labor, the approval of "to each according to his merit," that began the private property way of life, that initiated an era of progress and prosperity.

Sooner or later, such a way of life was certain to result in revolutionary political ideas. It did result in the American Revolution. This was not essentially an armed conflict with King George III -- not Valley Forge, Yorktown, and other military conflicts. Instead, it was a revolutionary idea! Here we have it, the very essence of Americanism:

"We hold these truths to be self-evident;
that all men are created equal; that they
are endowed by their Creator with certain

unalienable rights; that among these are
life, liberty and the pursuit of happiness.
That to secure these rights, governments are
instituted among men..."

This was at once a spiritual, a political and an economic concept. It was spiritual in that it proclaimed the Creator as the Source of Rights; political in that it implicitly denied that the State was the source of rights; and economic in this sense: If an individual has a right to his life, it follows that he has a right to sustain his life, the sustenance of life being nothing more nor less than the fruits of one's own labor.

The Constitution and the Bill of Rights were political instruments for the purpose of implementing this revolutionary idea. These American political instruments were not aimed at prohibitions against the people; they were limitations on government, and unprecedentedly successful limitations. Government was limited to inhibiting and penalizing the destructive actions of men, of doing for everyone equally that which each had a moral right to do for himself, of invoking a common justice.*

What were the effects of thus limiting government? First, there wasn't a citizen who turned to government for succor. Government had nothing to dispense nor did it have the power to take from some and give to others. Under these circumstances the citizens assumed the responsibility for their own welfare. This made for a self-reliant people. Second, with government limited to inhibiting destructive actions and with no control over creative actions, the creative energies of the people were freed. The combination of self-reliance and the feeling of

* Slavery was one of several exceptions to the American principle.

creative human energy seem to have had a major part in the phenomenon we refer to as the Miracle of America.

However, something happened to this wonderful pattern. Government is nothing more or less than individuals organized into a compulsive apparatus; individuals who are no more immune to affluence and power over others than are the rest of us. These individuals, having a monopoly of force at their command, soon discovered that they could intrude into the creative activities and the productive enterprises that the citizens had reserved for themselves. They also found out that they could, by the use of force, collect the wherewithal to make up the deficits their operations incurred.

I would like to suggest that the extent to which government in America has departed from its negative function of inhibiting destructive actions and has entered into the control of creative actions, to that extent has socialism or communism grown in our homeland; to that extent have private property, free market, limited government concepts and practices been destroyed.

Can we be at all precise in measuring the growth of socialism and the consequent loss of freedom? Not too precise, but we can get an idea of the trend by measuring the loss in freedom of choice the average citizen has experienced over the years with his income dollar.

A little more than a century ago the average citizen had a 95-98 per cent freedom of choice with each income dollar. That was because the take of government -- federal, state, and local -- was 2-5 per cent of all earned income. But, as government departed from its limited position and entered into enterprise after enterprise, and as it assumed more and more the responsibility for the welfare and prosperity of the

citizens, the take of all earned income, percentagewise, increased. Today, the take is about 35 per cent.

Some persons who dislike facing up to problems contend that this is not too serious; that, on the average, the citizen still has 65 per cent freedom of choice with his income dollar, and that that's not bad. Let us, however, take no solace from this fact for it has been discovered that whenever the take of earned income by a nation gets to that high level where it is no longer politically expedient to collect the total sum by direct tax levies governments have, with the support of the people, resorted to inflation, which is to say resorted to an increase in money volume. As a rule, this point is reached between 20-25 per cent of the total earned income. The people support increases in money volume apparently because they feel they can have their cake and eat it too. In short, they can maintain their so-called benefits while escaping the payment of taxes directly.

Once governments used what was called coin clipping. The sovereign called in the coin of the realm, clipped off the edges, and returned the smaller pieces to the people. This was a good trick until the coins became too small to return.

During the French Revolutionary period, the government issued the assignat, this being irredeemable money supposedly secured by confiscated church properties. France was brought to a state of bankruptcy.

In the Argentine today only a portion of the huge federal expenditure can be defrayed by direct tax levies so the government merely prints billions of new pesos. The condition there is utterly chaotic.

Here in the U.S.A. our system of inflating has the merit of being so complicated that no one can understand it. We monetize debt! The more debt we have, the more money in circulation!

The Russians probably have the most honest system of dishonesty. The government forces the citizens to buy the government bonds and then the government cancels the bonds!

What I am suggesting is that inflation is the fiscal concomitant of socialism or the welfare state, call it what you will. Politically, it is utterly impossible to finance this type of government except by inflation. Anyone who wishes to stop inflation has no choice whatever except to reduce the over-extended activities of government and the exorbitant costs which over-extended government make necessary.

Government in America has rather rapidly increased its take of earned income. Have we increased money volume? Yes, about 700 per cent since we began deficit financing and the monetization of debt. What has happened and is happening to dollar value and to the price level needs no more comment than the fact that our dollar has lost 52 per cent of its purchasing value since 1939.

To assess the fiscal consequences of government run riot, it is useful to take a look at France, which, in numerous economic respects, resembles the United States. In 1914 France began a program of governmental expansion, of the government assuming the responsibility for the welfare and prosperity of its citizens. It is clear that these governmental welfare and economic direction and control programs are more and more financed by inflating the money. The people too often demand this head-in-the-sand means of escaping the penalty of their errors. What, in the brief span of 46 years, has happened to the value of the franc? It has lost more than 99½ per cent of its purchasing value?

And, what has happened to the price level? I recall having a dinner in Paris in World War I days. The price was five francs, the equivalent of a 1918 dollar. My next visit to Paris was in 1947. I

took a friend to luncheon, admittedly to a fancier place than I visited when a soldier in War I. The check was for 3,400 francs. Two of us went to the same restaurant two years later and the check was for 4,100 francs. Today, a meal for two at this same restaurant is about 6,000 francs.

Visualize with me, please, a young Frenchman in 1914. He was 19 years of age, forethoughtful, concerned about 1960 when he would reach retirement. So, to protect himself, he purchased a paid-up annuity; one that would return him 1,000 francs per month beginning January 1960. In 1914 he could have lived adequately on such an income. But, today, that 1,000 francs wouldn't purchase more than a fair meal -- one meal in a whole month! Careful examination will reveal that the reason for this starvation conclusion is precisely the same reason that caused members of the Pilgrim Colony to starve: applied socialism!

Should you care to test the historical validity of the above cause and effect sequences, I would refer you to some of the countries that we regard as being in socialistic and financial difficulties. As short a time as 31 years ago, the take of earned income by government in Russia was 29 per cent, not 35 per cent as is the case in the U.S.A. today. At that time in Germany, it was 22 per cent; in France and England, it was 21 per cent. I repeat, we are now at 35 per cent and there isn't a single bulwark against greater and greater takes except unreliable and unpredictable political expediency.

Inflation, which follows over-extended government and the consequent costs thereof, is popularly referred to as creeping inflation and as galloping inflation. Be it noted, however, that all instances of galloping inflation were preceded by creeping inflation.

I wish to suggest that inflation in America will be ever so much more catastrophic here than it has been elsewhere and for a very simple reason.

We are the most advanced division-of-labor society that ever existed, that is we are more specialized than any other people have ever been. This is by way of asserting that we are further removed from self-subsistence than other peoples, present or past. Indeed, we are so much specialized that every single one of us is totally dependent upon the free, uninhibited exchanges of our specializations. This is a self-evident fact.

Now, in a highly specialized economy, we do not and cannot exchange our specializations by barter. No one, for example, walks into a gas station and offers to exchange a goose for a gallon of petrol. In a highly specialized economy, we effect these exchanges by an economic circulatory system, our medium of exchange, our money. In some respects this economic circulatory system can be likened to the circulatory system of the body, the blood stream. What does the blood stream do? I do not know all of the things it does but I do know that it circularizes specializations. It picks up oxygen in the lungs and ingested food in the mid-section and distributes these to the trillions of cells of the body. At these points, it picks up carbon dioxide and waste matters and carries those off. I could put a hypodermic needle in one of your veins, thinning your blood stream to the point where it would no longer perform this circularizing function, and when I reach that point we could speak of you quite accurately in the past tense. Similarly with our economic circulatory system, we can thin our medium of exchange to the point where it will no longer circularize these specializations of ours, and when we reach that point our economy will be completely, utterly ruined.

During World War I, following the Armistice, my squadron was sent to Coblenz and the Army of Occupation. Every pay day we received more marks than the previous pay day, that was because the German inflation

was on. By 1923, it reached the point where 30 million marks would not buy a loaf of bread. A story is told of a German father who passed away leaving his fortune to his two sons, 500,000 marks each. One was a frugal lad who never spent a pfennig of it. The other was a wastrel. He spent it all on champagne parties. Came the day in 1923 when 30 million marks would not buy a loaf of bread. The boy who had saved everything had nothing, but the one who had spent his money on champagne parties was able to exchange the empty bottles for a dinner. In short, the economy had been brought to a state of barter.

Is there any historical evidence that a country on this type of a toboggan has ever been able to reverse herself? I have found only one significant instance in history and that was in England following the Napoleonic Wars. England's debt, in relation to her resources, certainly was greater than ours is now; her taxation was confiscatory; and the restrictions on the exchanges of goods and services were so numerous that had it not been for the smugglers, the law breakers, many of the people would have gone hungry. Something did happen and it is important for us to take note of what it was.

There was a group of people in England headed by such men as John Bright and Richard Cobden, aided and abetted by others like Frederic Bastiat of France, who understood the principles of the free market and were able to explain these principles. They went all around England writing and speaking concerning them. Members of Parliament listened and as a result there began the greatest reform movement in British history made up of the repeal of restrictive law. They repealed the Corn Laws, which would be like repealing subsidies to farmers here. They repealed the Poor Laws, which would be like repealing compulsory social security here. They repealed other restrictions, and fortunately

for Western Civilization England at the time had a monarch -- Victoria -- who appeared to have no passion for ruling Englishmen in an over-riding sense. She relaxed the sovereignty which they believed to be implicit in her office. She gave them freedom in the sense of prisoners on parole. They roamed all over the world and built empire and progress, a development that went on until just before the beginning of World War I when the same old disease set in again.

What precisely is this disease? It has many popular names such as communism, socialism, the welfare state, state interventionism, fascism, nazism, the planned economy, Fabianism, and the like. I often refer to it as the social cancer because it is obvious that there is something in the body politic which has the capacity for inordinate growth.

I believe we can isolate and precisely define this cell. If you will carefully examine every one of the above so-called progressive ideologies, you will note that each one of them has a characteristic common to all the rest, and it is this common characteristic that is the cell in the body politic that has this capacity for growth. It is in the form of a belief, a rapidly growing belief, in the use of organized police force, which is government, as a means of controlling and forcibly directing the creative activities of the citizens within our society. Think of the distinction between this use of force and the use of force limited to the inhibition of destructive actions.

Let me illustrate with government housing, this being as good as TVA or any other of numberless socialistic ventures.

I can remember the time when and if we wanted a house or housing, we relied on private enterprise. First, we relied on the person who wanted a house. Second, we relied on the one who wanted to compete to construct it. Third, we relied on the one who thought he saw some

advantage to himself in lending the money for the tools, the labor and the material. Under this system we built more square feet of housing per person than ever existed in any place on earth. Yet, in spite of this remarkable accomplishment, more and more persons are currently believing that the only way we can have adequate housing is to use the agency of force -- government -- to take the earnings from some and give these earnings, in the form of housing, to others. In short, we have here again the belief in, and the application of, the Marxian ideal -- "From each according to his ability, to each according to his need" -- by force.

There is not a segment of the whole economy left untouched by this Marxian practice, for it manifests itself in the economic bloodstream, the medium of exchange.

Now, as this belief in the use of force increases, the belief in free men acting privately, competitively, voluntarily, cooperatively, decreases. As the belief in compulsion rises, the belief in freedom falls. Isn't this axiomatic?

The solution to this problem, then, must take a positive form; namely the restoration of a faith in free men. This is much easier to admonish than it is to accomplish.

Let me give you examples of how faith in free men is lost. If I were to ask a group of citizens the question, "Should the government deliver the mails?", most of them would reply, "Certainly!" Why this certainty? The answer seems clear. Our government has had a monopoly of this particular productive activity for so many decades -- has pre-empted it for so long -- that all entrepreneurs have given up any thought as to how it might be conducted as a private enterprise. They don't even speculate on it as a possible opportunity.

Recently, I asked myself several questions. Don't we deliver more pounds of milk every day than mail? Isn't milk more perishable than a love letter or a catalogue? Isn't milk delivered more promptly, more efficiently, more cheaply than mail? Why couldn't private enterprise deliver the mails? We deliver freight; that's heavier. But, no, we have lost faith in ourselves as free men to undertake this simple task.

Who are these men who have lost faith in themselves? Let us see what these same men have accomplished when acting freely in the area of delivery. They have discovered how to deliver the human voice around the world in one twenty-seventh of a second. They have found out how to deliver an event, like a Rose Bowl game, or a presidential inauguration, into everyone's living room, visually, in motion, in color, and at the time it's going on. They deliver 115 persons from Los Angeles to Baltimore in 3 hours and 39 minutes. They deliver gas from a hole in the ground in Texas to my range at Irvington-on-Hudson, New York at a low price and without subsidy. They deliver every four pounds of oil from the Persian Gulf to our eastern seaboard -- more than half way around the world -- for less money than government will deliver a one-ounce letter across the street in your home town. These, if you please, are the ones who have lost faith in themselves to deliver a letter.

Now, for a hypothetical example. Imagine that the Federal government had, 180 years ago, decreed that all children should receive, for free, shoes and stockings from the time of their birth until adulthood; that this practice had been going on since the very beginning of our political establishment. Next, imagine someone today questioning this practice, insisting that shoes and stockings should be a family, not a government, responsibility. Do you know how most persons would respond to such "heresy?" They would say, "But, you would let the poor children

go unshod!" However, in this imagined example, where we haven't invoked the use of government force as yet, we can observe that children, rich and poor alike, are better shod here where the responsibility is on the family than in countries where the responsibility for welfare is entirely governmental. The poor kids are better shod in countries that are more free than in countries that are less free.

Or consider this depressing but not too unlikely possibility: In the year 2,000 A.D., only 40 years hence, the power and light industry may have been nationalized or "municipalized" -- in any event, socialized -- for more than a decade. Then, let any one of us suggest that power and light ought to be a private enterprise activity. I can assure you that the suggestion would be received with the same degree of popularity as it would if it were made in Moscow today. American men, in these circumstances, would have lost faith in themselves, acting freely, to produce and distribute electrical energy.

Would you like to know what my faith is in free men? It can be stated in one simple sentence. I actually believe that you -- and I don't care who you are -- can control your creative actions better than I can control your creative actions. Reflection will reveal this to be a most radical view, so radical that few persons care to adopt it. This, it seems to me, is the kind of a belief that must be renewed where it has been lost, and discovered where it is unknown, if the belief in force as a means of inducing creative action is to halt and then recede. The building of this faith is the essence of making the case against big government's destruction of the free market.

Two questions arise from this brief accounting of present trends: What causes this growth in governmental power with its destructive effects on the free market? What can we as individuals do about it?

First, the causes of a growing socialism are numerous, perhaps some of them unknown. The most important cause, in my opinion, is an almost total disregard of the spiritual antecedent on which the free market rests. Inattention to the Creator as the Source of Rights locates the State as the source of rights -- inescapably.

For one thing, the cause is not an absence of individuals who dislike socialism. The dislikers of state interventionism exist by the millions. But little else can be said. Among these millions not one in ten thousand can be found who can do more than damn that ideology. Only now and then is there an individual who thoroughly understands and can clearly explain socialism's opposite: the free market, private property, limited government philosophy and its moral and spiritual foundations. Without such skilled expositors we have no chance at all of reversing present interventionist trends.

With this seemingly incontrovertible fact in mind, what do we do? Putting my conclusion first, there is nothing that can be done short of bringing into existence several thousand creative thinkers, writers, talkers of the freedom philosophy.*

How do we go about this?

Influence, as I see it, is of two kinds, destructive and creative. It is easy enough for one to influence another destructively. No moral or intellectual attainments are required to do that. However, when it comes to influencing another creatively -- that is, advancing the understanding of another -- one is limited, absolutely, to the power of attraction.

* Over the years I have been collecting ideas on creative thinking and have assembled them in a paper entitled "On What To Do." Single copy on request.

This needs a bit of explanation. For example, when I go to my golf club the members do not line up to seek my counsel on how to putt, how to swing a club, how properly to stand, and so on. Why? They are aware of my incompetency as a golfer! Now, wave a magic wand and turn me into a Sam Snead or a Ben Hogan. Instantly the situation will change, all will drink at my fountain, sit at my feet, as the sayings go.

Summarize it this way: Power of attraction follows self-improvement as faithfully as does one's shadow!

The problem is not to reform others. And for two reasons: First, there is some doubt that we should try to cast others in our fallible images. Second, it cannot be done, anyway.

The problem is not to penetrate the mind of another. Instead, it is to have something in one's own mind that others will want to penetrate, that others will draw on.

One reason why this self-improvement approach is grappled onto so reluctantly is the fear that no audience will form once one is improved. The fear is groundless, and evidence to support this view is all about us. Let any individual become really skilled in any subject and others will seek him out.

It isn't that we lack individuals who have the potentiality of becoming creative thinkers, writers, talkers of the freedom philosophy; it is that most of us are not trying.

Just a word about The Foundation for Economic Education. We seek to better understand this philosophy ourselves and to invent ways of explaining it with an ever-increasing clarity. Our findings are published in a monthly journal, THE FREEMAN, and in books. These are made available to anyone, anywhere, who wants them, and for the asking.

Reading such material is one of the essential exercises to becoming a skilled expositor of freedom.

Finally, where are we to find the individuals who will save America from an all-embracing statism? They will be found among those who love this country. They will be found among those who are reasonably intelligent. They will be found in this room. Specifically, it is the person who is sitting in your chair.